

**Subsidized Child Care Assistance Program Policy Manual**  
Chapter 8. Parental Fees

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## Chapter 8. Parental Fees

REVISED 9/29/2023

### I. CHAPTER OVERVIEW

Families who are income eligible for child care assistance are required to pay a portion of the cost of child care through parental fees. A parental fee is assessed if countable income is received for a child, including, but not limited to child support payments, and or social security benefits (SSA).

This chapter describes who must pay a parental fee, how parental fees are assessed and special circumstances that may affect parental fees.

### II. WHEN PARENTAL FEES ARE NOT ASSESSED

Parental fees are not assessed for child care assistance when one of the following apply:

- A. Child care assistance is provided in conjunction with a child protective services plan to enable the child to remain in his/her own home;
- B. Assistance is needed to support child welfare services as described in Chapter 5: Establishing Need and a Plan of Care;
- C. Children who are receiving foster care services need child care assistance. The foster children must be in the custody of the county department of social services and
  - i. Residing in a licensed foster care home, or
  - ii. Placed with an adult other than their parents.

**NOTE:** If a child returns home and is no longer in the custody of the department of social services, a new application is required, and the applicant/recipient's income must be considered to determine eligibility for assistance.

### III. WHEN PARENTAL FEES ARE ASSESSED

All families who are eligible for child care assistance based on their countable income will be charged a parental fee for a portion of the cost of child care assistance.

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Parental fees are set at 10% of gross monthly income for all families who are required to pay a fee. Recipients are responsible for paying parental fees of any amount that are assessed by the child care worker. Once the parental fee is assessed, the recipient is responsible for paying the parental fee directly to the child care provider.

Parental fees for new applicants are effective on the first day the child attends care. Any decrease in parental fees is to be effective on the first day of the month the decrease is reported.

Example: A change is reported to the worker in February, but the worker did not make the change until March. The decrease should start in February.

When a family is deemed income eligible through Food and Nutrition Services (FNS), the parent fee is calculated from the verified gross monthly countable income.

When a provider is paid based on a blended rate, the parental fee will be 83% of the full-time copayment. Copayment for part-time care shall be 75%. The parental fee will apply to the entire eligibility period.

### **IV. RESPONSIBILITIES REGARDING PARENTAL FEES**

#### **A. Responsibilities of the Local Purchasing Agency (LPA)**

- i. When subsidized child care is approved, the LPA must notify the provider and recipient in writing as to the amount of the parental fee to be collected from the recipient using the Child Care Voucher (DCD-0446) or Child Care Action Notice (DCD-0450).
- ii. The LPA must give the recipient a clear explanation of the parental fee policy, located on the Rights and Responsibilities NC FAST 20009, the specific charges imposed, and the recipient's responsibility for payment.
- iii. Any change in the amount of the parental fee must be made known to the provider and recipient using the Child Care

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Action Notice (DCDEE-0450).

- iv. Collection of past due parental fees are limited to 1 month prior to the provider's request for termination of services. Refer to Section C., 4 below regarding termination of child care arrangements when parental fees are not paid.

Child care expenses affect the Work First, FNS and Medicaid benefits a family is eligible to receive; therefore, the child care worker should notify the Work First, FNS and Medicaid unit(s) of any parental fee assessed, the effective date and any changes in the parental fee. A copy of the Child Care Voucher (DCDEE-0446) or Child Care Action Notice (DCDEE-0450) can serve as the means of notification.

### **B. Responsibilities of the Family**

- i. The recipient is responsible for paying the parental fee for child care assistance directly to the child care provider.
- ii. Recipients must report the required reporting changes to their child care worker within ten (10) business days of the change. Change of contact information including address and telephone number; increase in income that exceeds 85% SMI \*this should NOT include irregular income fluctuations) based on the SMI chart posted on the DCDEE website; Change in recipient's choice of provider is needed or wanted; Recipient needs or wants to end child care services.
- iii. Recipients may voluntarily report changes. Voluntary reporting made by the recipient should be entered into NC FAST by the child care worker if the change decreases the parent fee or increases the recipient's subsidy.
- iv. Refer to Chapter 11 Responding to Eligibility Changes and redetermination for recipient required and voluntary reporting.
- v. The child care worker may encourage the recipient to negotiate with the provider a parental fee payment plan that best suits the recipient's needs. The recipient and the provider may agree upon an individual plan for collecting parental fee payments at less than monthly intervals.

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- vi. Should a recipient choose a provider who charges more than the subsidy rate the LPA has authorized, the recipient may pay the difference between the provider's charge and the rate paid by the LPA however, the recipient is not required to pay the difference. If the recipient is unable or unwilling to pay the difference in this situation, another provider must be selected by the recipient. This is discussed further in Chapter 9.

There may be cases where providers charge applicant/recipient additional fees for activities not included in the normal program of child care. These additional charges may include:

1. Enrollment or registration fees when the fees are not paid using county funds;
2. Fees for arriving late to pick up the child or for late payment of the fee; or
3. Special fees for activities such as swimming or dance lessons.

**NOTE:** The LPA is not responsible for these separate fees charged to recipients.

### C. Responsibilities of the Provider

1. Providers are solely responsible for the collection of parental fees. The provider must collect the parental fee from the recipient on a regular basis and apply the same policy for non-payment of parental fees to private paying recipients receiving subsidies. provider must notify the LPA of the amount of unpaid fees immediately and request termination of care for the child. The unpaid parental fee is limited to one month. Any additional months the provider has not collected the parent fee from the family will not be held against the family in order to obtain a new voucher.
2. The provider must give the recipient a clear written explanation of the arrangement for paying the required parental fee and discuss the consequences of non- payment.

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3. If a recipient has failed to pay parental fees for 30 days, and the provider notifies the LPA within the 30-day period of the unpaid fees, the following guidelines must be followed:
  - a. The provider must indicate the amount that is unpaid immediately and may request that services be terminated for non-payment of parental fees. The unpaid parental fee is limited to one month. Any additional months the provider has not collected the parent fee from the family will not be held against the family in order to obtain a new voucher.
  - b. If the provider requests the termination of the plan of care, the child care worker must issue a Child Care Action Notice (DCD-0450) to both the recipient and provider, indicating that the arrangement is being terminated at the provider's request for failure to pay parental fees.
  - c. One month of parental fees must be paid in full or satisfactory arrangements made between the recipient and provider for repayment before a voucher for another provider can be issued.
    - i. The provider must notify the LPA that a repayment agreement has been developed and that a payment plan with the parent and/or the outstanding one-month balance has been paid in full when the LPA is notified, services may continue.
    - ii. The provider must give the recipient a dated receipt for payment of the parental fee, as payment is received. Receipts should include the period that the payment covers and the type of payment (such as child care, registration, parent fee, outstanding balance, etc.).
    - iii. The provider must retain copies of these receipts for at least three (3) years, and they may not be destroyed until authorized by DCDEE or the LPA. Recipients should be encouraged to retain receipts as well; in case

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they need to verify that the fee has been paid for a month.

If there is no repayment agreement and the parent has not paid the parental fee, the LPA must document in the record the reason services are terminated and the amount of the unpaid parental fees. The provider or recipient must submit verification when the parental fees are paid.

### V. DETERMINATION OF THE PARENTAL FEE AMOUNT

Parental fees are the same across the state for all types of child care arrangements. The parental fee is 10% of the gross income. The worker must multiply the gross income by .10 to determine the amount the applicant is responsible for paying. For the daily fee divide the parent fee by 21.67. The daily rates are rounded to the nearest cent. A parental fee is assessed if countable income is received. It is based on the family's gross income.

There is one (1) parental fee for families receiving subsidized child care assistance, regardless of the number of children in care and regardless of the hours of care needed. In cases wherein, the parental fee exceeds the cost of care, services cannot be authorized. An exception to this would be when more than one (1) child is in care and the total cost exceeds the parental fee; the parental fee will be divided between or among the children. **If the parental fee exceeds all the children's cost of care, the case is ineligible.**

When the total cost for before and/or after school care exceeds the parental fee, the recipient can request services for teacher workdays and holidays and care must be authorized if the daily provider payment rate exceeds the daily parental fee amount.

When the recipient requests services for summer and/or track out care only, care must be authorized if the monthly payment rate exceeds the monthly parental fee amount. The family should not be placed on the child care waiting list. The case can be suspended until the child attends.

**A. PARENTAL FEES FOR FULL-TIME OR PART-TIME CARE**

Full-time payment for part-time care will now be available for families in limited situations. This should only be utilized when a child's need for care is part-time but there is either no available part-time care for the child or the available care would not meet the needs of the child. The parental fee for families who receive part-time care with full-time pay shall remain at 75% of the parental fee. The details of these situations must be documented in the case narrative.

- i. When the child is enrolled in the same child care arrangement and the care averages 32 or more hours per week, charge the parent the full-time parental fee. Calculate the parental fee based on 10% of the family's gross monthly income regardless of the number of children in care or the number of hours care is needed.
- ii. When the child is enrolled in the same child care arrangement and care averages 1 through 31 hours per week, the parental fee is 75% of the full-time fee.

For example:

- a. Full Time: 32 – 55 hours per week. Recipients will pay full time parent fee at 100%.
- b. Blended Rate: Child attends facility year-round (during the school year as well as summer and school closings). Child attends before and/or after care and full time on school closure days and during summer/track out. Recipients will pay blended rate fee at 83%.
- c. Quarter Time – 18 – 31 hours per week. Recipients will pay a quarter time fee at 75%.
- d. Part Time: 0 – 17 hours per week. Recipients will pay a part-time fee at 75%.

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**NOTE:** Error messages will alert you upon entry of parental fee amounts for part-time care that are not 75% of the full-time parent fee. These are error messages because the parental fees must be verified. For example, the parent fee is less than 75% of the full-time fee, and the parent fee exceeds 75% of the full-time fee.

### iii. Multiple Providers

If the child requires two (2) providers, assess the parental fee to the facility/provider who provides the most hours of care. If each provider cares for the child for an equal amount of time, a 50% parental fee may be assessed to each.

## **B. PARENTAL FEES WITH GRADUATED PHASEOUT**

A 12-month graduated phase out period occurs when, at redetermination, a family's gross countable monthly income exceeds Federal Poverty Levels of 133% for school age children or 200% for preschool age children and children with special needs and is at or below the federal income threshold of 85% State Median Income.

During the graduated phase out, parental fees will increase to reflect the family's new reported income. At redetermination, the family's income shall be compared to 85% State Median Income (SMI). If the income is less than 85% SMI but exceeds the Federal Poverty Level (FPL) limits, the child will be given a graduated phase out period of 12-months during which child care subsidy services continue with adjustment of the parental fee.

A Child Care Action Notice (CCAN) will be sent to notify recipients and providers of the increase in the parental fee due to new reported income. When the family's income exceeds 85% SMI at redetermination, a ten (10) workday notice will be issued to terminate services. For applicants determined ineligible with less than 10 workdays remaining, care may continue until the current certification end date.

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### C. PARENTAL FEES FOR PARTIAL MONTHS

- i. There may be times when the child care worker must assess a parental fee for child care that begins or ends in the middle of the month. For example, when a child starts after the 1st of the month (starts on the 15th), NC FAST will calculate a prorated parent fee amount if the plan of care of care starts after the 1st of the month.
- ii. The following situations describe how parental fees are determined when child care assistance is needed for part of a month.
  1. When the monthly parental fee amount and the beginning date are entered, NC FAST will automatically assess the parent fee.
  2. When child care assistance is terminated during a month, a partial month parental fee must be assessed for the number of days care is needed. NC FAST will calculate the parental fee based on the number of days that care was needed.
  3. When there is a hardship and the child attends a partial month, please refer to the Exemption Evidence Job Aid. Hardship cases occur when the child is expected to be absent from care for more than ten (10) days in a service month due to identified situations. Parents are required to contact their Child Care worker to discuss their situation and provide information. The worker then determines if this is an approved hardship and approves the Provider payment for these days.

**NOTE:** The full-time monthly and daily parental fee should be shown on the voucher.

**D. PARENTAL FEES WITH DIFFERENT PLANS OF CARE**

Sometimes varying child care arrangements are needed because of different work schedules. When a parent/responsible adult work schedule is unusually long, two types of child care arrangements or extra hours of care in the same arrangement may be needed. In either situation, the child care worker assesses the parental fee based on 10% of the family's monthly gross income.

There may be instances where the plan of care creates a need to change between two providers. A parent/responsible adult may work a varying work schedule of both daytime and nighttime hours. Some months, the daytime arrangement is used more, and other months, there is more need for nighttime care. In this situation, the child care worker will select the facility/provider where care is required for the most hours to collect the parental fee rather than trying to split the parental fee based on the hours care is needed. This should be documented in the case notes/narrative.

**VI. ADJUSTMENTS IN PARENTAL FEES**

Parental fees for child care are based on the family's ability to pay and are not intended to discourage families from using needed services.

**A. Manual Parent Fee Adjustment**

Adjustments are made to parent fees and levels of care during a recipient's 12-month certification period in order to align with changes occurring in cases. These adjustments are made in order to benefit the family when there is a change to ensure that they receive the appropriate level of service, that their parent fee is appropriate and to ensure that these changes occur in a timely manner.

NC FAST adjusts parent fees and level of care changes automatically based on changes made to cases within the system. There are some situations in which adjustment of the parent fee or level of care change in NC FAST does not align per current policy. To ensure that these

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adjustments do align correctly based on current policy; functionality is available within NC FAST to manually adjust parent fees when the system does not align the changes per policy. The manual parent fee adjustment functionality should only be used in the following scenarios:

- Child is beginning or ending school.
- Immediate change of child care providers (can be due to emergency situation)
- Parent fee is not applied to correct child.

Child care workers should use the SCCA Manual Adjustment Job Aid associated with manual parent fee adjustments in order to make necessary changes when one of the above-mentioned scenarios occurs. This functionality should not be used to resolve defects or any other issues unless it has been approved by DCDEE.

There are additional options in NC FAST for making manual parent fee adjustments, but these should ONLY be used if the child care worker is given direct guidance from DCDEE. If additional scenarios are approved by DCDEE, this will be communicated to child care workers by DCDEE and NC FAST communications.

### **B. Parental Fee Adjustments when the Plan of Care or Eligibility Changes, Including Redetermination**

Whenever the family's countable monthly income increases during a certification period, calculate the income outside of NC FAST. The income calculated outside of NC FAST is compared to 85% SMI, if under 85% SMI, then document the increased income in the case notes. Parental fees cannot increase during a 12-month certification period due to changes in income.

When a recipient reports a decrease in their gross monthly income, the parental fee must be reduced to reflect the reported decreased income.

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The worker must recalculate and enter the income and decrease the parental fee. A reduction in parental fees is made on the first day of the month that the change is reported.

If the recipient later reports a new change income that is higher than the income assessed at initial application; the parental fee can only be reinstated up to the initial parental fee amount. At the annual recertification, the income and parent fee can increase on the first day of the month following the 10-work day notice.

### **C. Parental Fee Adjustments for Child Care Benefits**

Money from a child care benefit is counted as part of the allowable cost of care. Money from the benefit is first applied to the parental fee; any remaining amount is subtracted from the amount the LPA pays to the child care facility/provider. The child care worker must document this information into NC FAST and add an explanation in the comments section of the voucher or action notice. If the parent/responsible adult is employed by a child care facility who offers an employee discount, the discount is not considered when determining parental fees and payments.

- When an employer benefit is less than the parental fee, the parent/responsible adult uses the benefit amount to help pay the assessed fee amount.
- The voucher/action notice would show the actual parental-fee amount calculated in NC FAST.
- When an employer benefit is more than the parental fee, the parent/responsible adult will use the benefit to pay the parental fee. The remaining benefit amount is then subtracted from the allowable cost of care in NC FAST. The parent/responsible adult would pay the entire benefit directly to the child care facility/provider. The child care worker must document this information in NC FAST and add an explanation in the comments section of the voucher or action notice.

**D. Parental Fee Adjustments for High Medical Expenses**

Families with large medical expenses may find the payment of a parental fee more of a hardship than other families of similar size and income. To help in this situation, the family's gross income upon which the parental fee is assessed will be reduced by subtracting the amount of documented medical expenses paid in excess of 10% of that gross income.

Medical expenses are considered only in relation to the payment of parental fees, not in determining basic income eligibility. The parent/responsible adults statement concerning medical expenses shall be accepted; however, the child care worker may need to assist the parent/responsible adult in identifying and computing medical expenses to make the most accurate statement possible. Information provided by the parent/responsible adult about the family's medical expenses must be verified and documented in the case record.

**i. One-Time Medical Adjustment**

A one-time medical adjustment can be given when a parent/responsible adult pays a high medical expense for one month. The excess medical expense is deducted from the gross monthly income and the parental fee for the upcoming month is reduced. Thereafter, the parental fee goes back to the amount assessed prior to the adjustment.

Example: One Time Medical Adjustment. Parent has household income of \$3000 per month. 10% Parental Fee would be \$300 effective 1/1/2023. Parent has a one-time Medical expense of \$400 that she will pay in full in January 2023.  $\$400 - \$300$  parental fee = \$100. For the month of January 2023, \$100 is reduced from her \$3000 income =  $\$2900 \times .10 = \$290$  Parental Fee for January 2023 and then Parental Fee goes back to \$300 for February 2023 and ongoing.

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### ii. **Medical Expense Spread Over Several Months:**

When a parent/responsible adult pays high medical expenses for more than one- month, medical adjustments can be spread over several months. The excess medical expense is deducted from the gross monthly income for the months in which there are high medical bills. The parental fees are also reduced for those months.

Example: Medical Expense Spread Over Several Months: Parent has HH income of \$3000 per month. 10% Parental Fee would be \$300 effective 1/1/2023. Parent had a hospital stay in the fall of 2022 and is now making monthly payments to the hospital of \$400 per month for the next 4 months.  $\$400 - \$300 \text{ parental fee} = \$100$ . For the months of January - April 2023, the parental fee will be reduced to \$290 per month.  $(\$3000 - \$100 \text{ excess medical expense} = \$2900 \times .10 = \$290)$ . Then it will return to \$300 per month parental fee for the remainder of the certification period.

Refer to Chapter 7 for additional information regarding Medical Expenses.

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For additional information regarding policy described in this chapter please refer to:

### **SCCA Manual**

Refer to Chapter 5 Establishing a Need, Level, and Plan of Care

Refer to Chapter 7 Family Definition and Determining Income Eligibility

Refer to Chapter 9 Recipient Choice and Voucher Procedures

Refer to Chapter 16 Payment Policies

### **SCCA Job Aids**

SCCA Job Aid - Manual Parent Fee Adjustments

SCCA Job Aid - Split Parental Fee

SCCA Job Aid - Tasks Reference Guide